MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/2023

DFA5044 – FINANCIAL ACCOUNTING 4

(All Sections / Groups)

05 OCTOBER 2023
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 8 pages with 4 questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Part A

In January 2022, Terra Nova Berhad decided to take a significant step in its growth journey by issuing shares to the public for the first time. The company requires additional capital to finance their newly ventured project. The following transactions took place during the year ended 31 December 2022:

1. Invited applications of 800,000 6% preference shares at RM1.80 each, payable in full on application.

2. Issued 10,000,000 ordinary shares of RM1.40 by installment, on the following terms:

On application	RM0.20
On allotment	RM0.40
During 1st call	RM0.30
During 2nd	RM0.40
During 3rd and last call	RM0.10

3. The application received was 15,000,000 for ordinary shares, which represented 60% from institutional and 40% from individual investors.

4. The director rejected three quarters of excess applications and allotted the share on pro-rata basis among the remaining applicants. Any surplus money on application was used to pay up on allotment.

5. The 1st call and 2nd call money were received when due except three shareholders who held 60,000 shares each, failed to make a payment when due during 2nd call.

6. During the 3rd and last call, all the monies due were received.

Required

(a) Prepare the journal entries to record the above transactions. (15 marks)

(b) Prepare the extract of the Statement of Financial Position after the 2nd call. (3 marks)

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Part B

The Trial Balance of Legacy Bhd. as at 31 December 2022 appeared as follows:

Legacy Bhd. Trial Balance as at 31 December 2022		
	Debit (RM)	**Credit (RM)**
Land and building	120,000,000	
Office equipment	2,200,000	
Vehicle	1,500,000	
Account receivable	2,300,000	
Inventory	300,000	
Bank	5,045,000	
Prepaid expenses	15,000	
10,000,000 5% preference shares of RM2 each		20,000,000
65,000,000 ordinary shares of RM1.20 each		78,000,000
Retained profit		5,300,000
Bond payable		2,460,000
Account payable		300,000
22,000,000 5% redeemable preference shares		25,300,000
	RM131,360,000	**RM131,360,000**

During the year, the directors resolved to redeem 60% of its redeemable preference shares at a premium of 15%. To facilitate the redemption, RM4,500,000 will be transferred from the retained profit to contributed capital and the remaining balance by issuance of ordinary shares at RM1.50 each.

Required

(a) Prepare the necessary journal entries to record the transactions. (4 marks)

(b) Prepare the ledger entry for Ordinary Share Capital account. (3 marks)

(Total: 25 marks)

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QUESTION 2

The following is the Trial Balance of Cyndai Bhd. as at 31 December 2022.

Cyndai Bhd. Trial Balance as at 31 December 2022		
	Debit (RM)	**Credit (RM)**
Cash at bank	85,000	
Inventories	120,000	
Trade receivables	88,000	
Long-term investments	235,000	
Plant and machinery	498,000	
Motor vehicle	250,000	
Office equipment	202,500	
Research and development	118,000	
Goodwill	96,500	
Accumulated losses	555,550	
Trade payables		206,450
800,000 ordinary shares of RM1.20 each		960,000
500,000 6% preference shares of RM1.50 each		750,000
Directors' loan		182,100
Asset revaluation reserve		150,000
	RM2,248,550	**RM2,248,550**

The company had a major loss for the past 5 years which made the company suffering losses to date. The losses triggered many failures in Cyndai Bhd.'s operation. Few shareholders start to sell their shareholding ever since they did not get their dividend.

Hence, the company passed a special resolution and approval of the court was obtained for the following scheme of internal reconstruction:

1. Both ordinary shares and preference shares are to be reduced to RM0.70 and RM1 each respectively.

2. The preference shareholders to receive four ordinary shares of RM0.70 each for every RM1 preference dividends in arrears (arrears on preference dividend: RM140,000).

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3. All non-current assets are at net book value and revalued as follows:

	(RM)
Plant and machinery	512,000
Office equipment	190,000
Motor vehicles	235,000
Inventories	102,000
Trade receivables	75,000
Long-term Investments	260,000

4. Contingent liability has not been provided for a damage worth RM108,500 and yet the company settled the full amount.

5. To write off the accumulated loss and all intangible assets.

6. The directors agreed to accept cash of RM42,100 in payment of loan from directors and the remaining is to be settled by issues of 200,000 ordinary shares of RM0.70 each.

7. 50% of the asset revaluation reserve is to be utilised for the scheme.

8. After the revaluation of assets, long-term investments were sold at its market value.

9. Cost of reconstruction is RM98,500.

Required

(a) Prepare the journal entries to record the capital reduction. (15 marks)

(b) Prepare the Capital Reduction account. (4.5 marks)

(c) Prepare the Statement of Financial Position of the company after the completion of capital reduction. (5.5 marks)

(Total: 25 marks)

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QUESTION 3

The Trial Balance of Moonlight Enterprise as at 30 June 2022 is as follows:

Moonlight Enterprise Trial Balance as at 30 June 2022		
	Debit	**Credit**
Motor vehicles	RM202,000	
Office equipment	186,000	
Machinery	320,000	
Long-term investments	115,000	
Patents	80,000	
Cash at bank	135,500	
Account receivables	28,800	
Inventories	42,700	
Prepaid rental	6,300	
Accumulated depreciation – Motor vehicles		RM105,000
Accumulated depreciation – Office equipment		92,000
Accumulated depreciation - Machinery		162,500
Account payables		102,900
Insurance payable		15,900
Maimun, capital		638,000
	RM1,116,300	**RM1,116,300**

Moonlight Enterprise owned by Ms. Maimun, commenced its business on 1 July 2017. The business is making a good profit for the past five years. Therefore, the owner decided to expand her business from sole proprietorship into a company.

On 1 July 2023, Crystal Bhd. was incorporated to purchase Moonlight Enterprise. Crystal Bhd. was to take over all assets, except cash at bank of Moonlight Enterprise for RM1,200,000.

Upon liquidation of business, Crystal Bhd. was to discharge the purchase price by issuing 300,000 fully paid 6% preference shares at RM1.80 each and sufficient fully paid ordinary shares at RM1.20 each in Crystal Bhd.

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Additional information:

1. The revaluation assets taken over are as follow:

	RM
Motor vehicles	188,000
Office equipment	168,000
Machinery	302,000
Long-term investments	148,000
Account receivables	24,700
Inventories	65,500

2. Crystal Bhd. was to assist Moonlight Enterprise to pay the trade payables and insurance payable.

3. Ms. Maimun subscribed for 140,000 ordinary shares at RM1.10 each in Crystal Bhd. and immediately paid by cheque when the company was formed.

4. The liquidation expenses of RM7,500 was to be paid by Moonlight Enterprise.

Required

(a) Calculate the purchase price and goodwill. (4 marks)
Shows all your workings.

(b) Prepare journal entries to close the book of Moonlight Enterprise. (6.5 marks)

(c) Prepare journal entries to open the book of Crystal Bhd. (8.5 marks)

(d) Prepare the Statement of Financial Position of Crystal Bhd. after the acquisition of Moonlight Enterprise. (6 marks)

(Total: 25 marks)

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QUESTION 4

Part A

Fashionista Bhd. was formed to acquire all assets and liabilities of Anggun Bhd. and Riaz Bhd., the main players in the textiles industry. The acquisition was taken place on 1 January 2023.

Following are the Statements of Financial Position of Anggun Bhd. and Riaz Bhd. as at 31 December 2022.

Statements of Financial Position as at 31 December 2022		
	Anggun Bhd. (RM)	**Riaz Bhd. (RM)**
Plant, Property and Equipment		
Land and buildings	1,000,000	720,000
Office equipment	350,000	206,000
Motor vehicles	210,000	284,000
Intangible Asset		
Goodwill	60,000	54,000
Current Assets		
Bank	108,000	159,800
Inventories	195,000	75,000
Trade receivables	84,400	144,000
TOTAL ASSETS	**RM2,007,400**	**RM1,642,800**
Shareholders' Equity		
6% Preference shares of RM2.00 each	1,000,000	880,000
Ordinary shares of RM1 each	750,000	700,000
Reserve		
Retained profit	205,000	(72,200)
Current liability		
Trade payables	52,400	135,000
TOTAL EQUITY & LIABILITIES	**RM2,007,400**	**RM1,642,800**

Note: Value for all assets is at book value.

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Additional information:

1. The purchase consideration paid by Fashionista Bhd. to Anggun Bhd. and Riaz Bhd. are as follows:

> ***For the benefit of preference shareholders:***
> 500,000 5% preference shares were issued only to Anggun Bhd. at RM2.20 per share.
> ***For the benefit of ordinary shareholders:***
> 950,000 and 1,200,000 ordinary shares were issued to Anggun Bhd. and Riaz Bhd. respectively at RM1 per share.

2. The fair value of the plant, property and equipment are as follows:

	Anggun Bhd. (RM)	**Riaz Bhd. (RM)**
Office equipment	400,000	188,000
Motor vehicle	184,000	220,000
Inventories	205,000	95,000
Trade receivables	nil	122,000

3. Liquidation expenses of RM10,500 and RM9,000 for Anggun Bhd. and Riaz Bhd. respectively are to be paid by Fashionista Bhd.

Required

(a) Calculate the goodwill and purchase consideration paid to Anggun Bhd. and Riaz Bhd. *Shows all your workings.* (6 marks)

(b) Prepare journal entries to open the book of Fashionista Bhd. (9.5 marks)

(c) Prepare the Statement of Financial Position of Fashionista Bhd. as at 1 January 2023. (5.5 marks)

Part B

The Companies Act 2016 requires specific disclosures to be made in the financial statements. List down any **FOUR (4)** general items that need to be disclosed. (4 marks)

(Total: 25 marks)

End of Paper